



CALCULATION OF 2% GUARANTEE FEE

Guaranteed Rural Housing Loan Program United States Department of Agriculture Rural Development

Many lenders have inquired how to calculate USDA's 2% guarantee fee when it is being financed into the maximum loan amount. Following are a few examples of different scenarios to show how to correctly calculate this fee.

Example #1

Purchase Price \$250,000
Appraised Value \$258,000

Borrowers want to finance \$8,000 in closing costs in the loan since the appraisal is higher than the purchase price. In addition, they will finance USDA's guarantee fee.

Loan Amount \$258,000 divided by .98 = total loan amount of \$263,265.30

Subtract total loan amount \$263,265.30 from loan amount \$258,000 =
\$5,265.30 USDA Guarantee Fee

Total Loan Amount \$263,265 X 2% = \$5,265.30 USDA Guarantee Fee

Example #2

Purchase Price \$300,000
Appraised Value \$300,000

There is no room to finance closing costs, however, the borrowers would like to finance the USDA guarantee fee.

Loan Amount \$300,000 divided by .98 = Total loan amount of \$306,122.44

Subtract total loan amount \$306,122.44 from loan amount \$300,000 = \$6,122.44 USDA
Guarantee fee

Total loan amount \$306,122 X 2% = \$6,122.44 USDA Guarantee Fee

2% CALCULATION

Example #3

Purchase Price \$175,000

Appraised Value \$190,000

There is a \$15,000 difference between the appraisal and the purchase price, however, the borrowers only want to finance \$10,305 in closing costs plus the USDA fee.

Purchase Price \$175,000 + \$10,305 closing costs = Loan Amount \$185,305

Loan Amount \$185,305 divided by .98 = total loan amount \$189,086.73

Subtract total loan amount \$189,086.73 from loan amount \$185,305 = \$3,781.73

Total Loan Amount \$189,086.73 X 2% = \$3,781.73

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